

1 CHAIRPERSON JAMES: William Hamm?

2 MR. HAMM: Members of the Commission my name is Bill
3 Hamm and I'm an economics consultant. Earlier in my career I was
4 selected to be California's third legislative analyst by among
5 others Speaker Leo McCarthy, a man who I have a great deal of
6 admiration for.

7 Let me begin by thanking you for coming to California
8 and allowing members of the public to comment on issues relating
9 to gambling. The particular dimension of the issue that I'd like
10 to comment on is how Indian gambling casinos affect state and
11 local government revenues.

12 On estimating the impact of casinos on state and
13 local government revenues, there are two key points that one
14 needs to keep in mind.

15 Key point number one, is that money spent in an
16 Indian casino is money not spent somewhere else. Now that
17 somewhere else is outside the state of California. The Indian
18 casino has a positive economic impact on the state.

19 On the other hand if that money otherwise would have
20 been spent buying goods and services from California businesses
21 then the impact of the casino, the economic impact is either
22 neutral or slightly negative.

23 Based on the available evidence that I've gathered
24 and it is detailed in the written statement that I've submitted
25 to the commission; I have concluded that approximately three
26 dollars out of every four dollars spent in Indian gambling
27 casinos today comes at the expense of California businesses.

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1 Since this is a \$1.5 billion industry in California
2 that means that California businesses are losing approximately
3 \$1.1 billion in sales each year to Indian casinos.

4 Now when gamblers shift expenditures from out of
5 state businesses to Indian casinos, state and local government
6 revenues go up. On the other hand when gamblers reduce purchases
7 from California businesses in order to gamble at Indian gambling
8 casinos, state and local revenues go down.

9 And this brings us to the second key truth that needs
10 to be kept in mind, and that is that Indian casino operators do
11 not pay taxes on their operations. They don't pay taxes on their
12 profits like California businesses do. They don't collect sales
13 taxes, many of them don't collect sales taxes on the sales that
14 they make. They don't pay any wagering taxes like horse racing
15 and card rooms do. They don't pay property taxes to local
16 governments. And some of the casino employees do not pay state
17 income taxes.

18 Now it's really not difficult to calculate the net
19 effect of these pluses and minuses, and determine what the net
20 impact is on state and local revenues. We've done that using a
21 sophisticated economics model and I find that today Indian
22 gambling casinos are costing state and local governments
23 approximately \$100 million in lost revenue.

24 And what this means, of course, as the commission
25 knows, is either services have to be reduced to that extent or
26 replacement money in the form of new taxes needs to be imposed.

27 CHAIRPERSON JAMES: Thank you.

28 MR. HAMM: Thank you very much.

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